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Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01
AGRE-00 OMB-01 XMB-02 FEA-01 /088 R

DRAFTED BY EUR/SE:RRDELABARRE:TP
APPROVED BY C:MNIMETZ
EUR/SE:NCLEDSKY
EUR/RPE:PMCLEAN
EUR:REBARBOUR
AA/NE:JKNOLL
TREASURY:PDREXLER(SUBS)
EXIM:CHAMMOND(SUBS)
OPIC:RGUPTA(SUBS)
----------152055Z 081078 /63
R 151648Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY ANKARA
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY ATHENS
AMEMBASSY NICOSIA
AMEMBASSY BONN

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USOECD

E.O. 11652: GDS

TAGS: EAID, IFIN, TU, OECD

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SUBJECT: VISIT TURKEY CONSORTIUM OFFICIALS

REF: OECD PARIS 15478 (NOTAL)

1. CONSORTIUM CHAIRMAN WILHELM GIEL AND CONSORTIUM SECRETARY ALFRED KUEHN WERE IN WASHINGTON JUNE 7 - 10 FOR DISCUSSIONS IN DEPARTMENT, TREASURY, AID, EXIM, OPIC, IMF AND

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IBRD. PURPOSE OF DISCUSSIONS WAS TO EXCHANGE VIEWS ON CURRENT STATE OF TURKISH ECONOMY AND CONSIDER POSSIBLE FUTURE OPTIONS SHOULD TURKS APPROACH IMF AND/OR CONSORTIUM MEMBERS FOR ASSISTANCE. GIEL ALSO MET WITH PRESIDENT'S SPECIAL REPRESENTATIVE FOR EASTERN MEDITERRANEAN, CLARK CLIFFORD. GIEL AND KUEHN ASKED THAT THEIR DISCUSSIONS NOT BE REPORTED OUTSIDE USG ALTHOUGH THEY WILL BE MAKING REPORT TO OECD SECRETARY GENERAL ON RETURN TO PARIS.

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2. DURING CALL JUNE 8 ON COUNSELOR NIMETZ IN WHICH EUR ASSISTANT SECRETARY-DESIGNATE VEST AND DEPUTY ASST. ADMINISTRATOR FOR NEAR EAST AID, WHITE, PARTICIPATED, GIEL OUTLINED HIS CONCERNS REGARDING CURRENT CRITICAL STATE OF TURKISH ECONOMY. HE STATES THAT WHILE NEW TURKISH GOVERNMENT IS IN PROCESS OF FORMATION, CONSORTIUM MEMBERS SHOULD BEGIN THINKING ABOUT WHAT TO DO SHOULD TURKS REQUEST ASSISTANCE. HE

INDICATED THAT HE DID NOT EXPECT MEMBER COUNTRIES TO COMMIT THEMSELVES TO ASSIST AT THIS TIME, BUT HOPED NONETHEESS TO GET SOME INDICATION OF POSSIBILITY OF ASSISTANCE.

. GIEL SAID HE HAD RECENTLY CONSULTED WITH FRG IN BONN.
E SAID GERMAN OFFICIALS ARE CONVINCED SOME ACTION WILL BE
EEDED SOON, BUT THAT FIRST AND KEY STEP WOULD HAVE TO BE
URKISH APPROACH TO IMF FOR STANDBY CREDIT WHICH IN TURN
OULD ENTAIL TURKISH GOVERNMENT COMMITMENT TO ECONOMIC STAILIZATION MEASURES. SUCCESSFUL NEGOTIATIONS BETWEEN IMF
ND TURKEY SHOULD IMPROVE INTERNATIONAL CONFIDENCE IN TURKSH ECONOMY AND PERSUADE PRIVATE BANKS TO PROVIDE ADDITION-
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L MEDIUM TERM CREDITS. HOWEVER, EVEN IF TURKEY AND IMF
EACH EARLY AGREEMENT, GIEL IS CONVINCED THAT ADDITIONAL
HORT TERM CREDIT WILL BE NEEDED FROM CONSORTIUM. SUCH AN
SSISTANCE PROGRAM MIGHT NOT NEED TO BE CONTINUED AFTER
LOW OF COMMERCIAL CREDIT PICKS UP THROUGH RENEWED CONFIDENCE IN TURKISH ECONOMY.

4; KUEHN STATED TURKS OVER PAST TWO YEARS HAVE NOT BEEN WILLING TO DISCUSS ECONOMIC PROBLEMS OR PROVIDE HARD INFO. HE HAD, HOWEVER, BEEN ABLE TO OBTAIN SUFFICIENT DATA TO OFFER FOLLOWING ESTIMATE OF PROBLEM: CENTRAL BANK SHORT TERM DEBT TOTALS $4.5 BILLION OF WHICH $2 BILLION IN CONVERTIBLE LIRA DEPOSITS, $1 BILLION IN UNPAID LETTERS OF CREDIT, $1 BILLION IN OVERDRAFTS WITH CORRESPONDENT BANKS AND $500 MILLION OWED TO OIL SUPPLIERS. KUEHN RECOGNIZED THAT TU00 KEY WOULD HAVE DIFFICULTY IMPOSING ECONOMIC MEASURES DRASTIC ENOUGH TO ELIMINATE ANNUAL $2 BILLION CURRENT ACCOUNT DEFICIT, SINCE TO ATTEMPT TO DO SO WOULD BE POLITICALLY UNACCEPTABLE. HE THOUGHT, HOWEVER, THAT REDUCTION IN CURRENT

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ACCOUNT DEFICIT TO $1 BILLION RANGE WOULD BE MOST HELPFUL
BUT WOULD STILL REQUIRE CONTINUED FINANCING.

5. GIEL EXPRESSED HOPE THAT VARIOUS CONSORTIUM MEMBERS IN-
CLUDING THE U.S. AND FRG COULD DECIDE BY END OF SUMMER TO
ASSIST TURKEY AND CONSULT ON THE APPROPRIATE MEANS TO DO SO.
GIEL HOPED PROCESS WOULD ALLOW FORMAL MEETING OF CONSORTIUM
IN OCTOBER. HE SUGGESTED ONE POSSIBLE FORM OF ASSISTANCE
COULD BE BROAD PROGRAM OF EXPORT GUARANTEES BACKED BY DONOR
GOVERNMENTS TO ENCOURAGE FLOW COMMERCIAL CREDIT. BONN OF-
FICIALS HAD SAID FRG HERMES PROGRAM COULD PROVIDE SUCH
GUARANTEES IF FRG GOVERNMENT SO AUTHORIZED BUT EXIM MADE
CLEAR THAT IT COULD NOT PLAY SUCH A ROLE UNDER EXISTING POL-
ICY.

6. GIEL NOTED HE WAS AWARE OF USG POLICY ON DEBT RESCHEDUL-
ING AND STATED THAT IN ANY CASE RESCHEDULING WOULD BE OF
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LIMITED USE SINCE THAT MOST OF TURKEY'S PUBLIC FOREIGN DEBT

TOOK FORM OF LONG-TERM CONCESSIONAL LOANS WITH LONG GRACE
PERIODS.

7. IN RESPONSE, NIMETZ AND OTHERS MADE CLEAR USG CONCERN
AND INTEREST IN TURKISH ECONOMIC SITUATION BUT EMPHASIZED
THAT NO DECISION HAD BEEN MADE ON WHETHER U.S. COULD ASSIST
TURKEY AND IF SO HOW. NIMETZ WAS ALSO NONCOMMITTAL ON
POSSIBILITY OF OCTOBER MEETING OF CONSORTIUM. HE NOTED THE
NEED FOR INTERAGENCY CONSULTATION WITHIN USG BEFORE ANY-
THING COULD BE SAID RE POSSIBILITY OF ASSISTANCE. U.S. A-
GREED THAT CONSORTIUM HAD AN IMPORTANT ROLE TO PLAY IN ANY
FUTURE ASSISTANCE PROGRAM FOR TURKEY. HE ALSO EXPRESSED
HOPE THAT THE NEW TURKISH GOVERNMENT WOULD BE STRONG ENOUGH
TO DEAL DECISIVELY WITH TURKEY'S ECONOMIC PROBLEMS.

8. CALLS BY GIEL AND KUEHN ON EXIM, OPIC, TREASURY AND
CLARK CLIFFORD FOLLOWED GENERALLY SAME PATTERN AS ABOVE.
ALL USG OFFICIALS INDICATED INTEREST IN TURKISH SITUATION
BUT CAUTIONED THAT THEY WERE NOT IN A POSITION TO DISCUSS
POSSIBILITY OF USG BALANCE OF PAYMENTS ASSISTANCE TO TURKEY.
EXIM REVIEWED LIMITATIONS OF ITS MANDATE--THAT IT FOLLOWS
SAME CRITERIA THROUGHOUT THE WORLD, IS EXPECTED TO BE SELF-
SUSTAINING WITHOUT USG APPROPRIATIONS, AND HAS NO AUTHORITY
TO MAKE SOFT LOANS OR FURNISH BALANCE OF PAYMENTS ASSIST-
ANCE. OPIC INDICATED THAT IN FUTURE, SHOULD TURKS SHOW IN-
DICATIONS OF REVERSING THEIR PRESENT NEGATIVE ATTITUDE
TOWARD FOREIGN PRIVATE INVESTMENT, OPIC COULD ORGANIZE
MEETINGS IN U.S. OR VISITS TO TURKEY BY GROUPS OF INTEREST-
ED U.S. BUSINESSMEN TO PROMOTE INVESTMENT IN TURKEY. CLIF-

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FORD INDICATED HIS CONTINUED INTEREST IN THE PROBLEMS OF
THE EASTERN MEDITERRANEAN. CHRISTOPHER

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